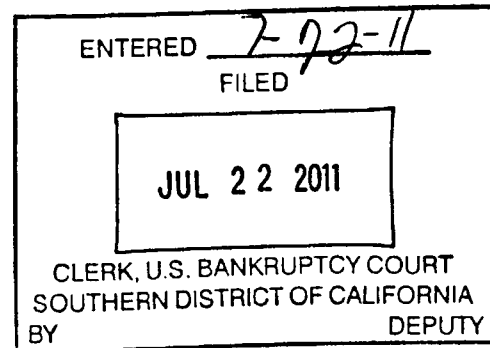


WRITTEN DECISION - NOT FOR PUBLICATION



UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF CALIFORNIA

In re	)	Case No. 10-00046-PB11
	)	
SARGENT RANCH, LLC,	)	ORDER ON OSC
A CALIFORNIA LIMITED COMPANY,	)	RE: CONVERSION
	)	
Debtor.	)	
	)	

This case has a tortured history of groups of investors, fractured by distrust, claims of priority, and the like. A snapshot of the proceedings is set out in the Court's Order on Trustee's Borrowing Motion. In that Order, the Court set for hearing its own Order to Show Cause re: Conversion to Chapter 7.

The Chapter 11 trustee responded to the OSC, setting out that it had received an offer of \$10,000,000 for the property, plus a 30% stake in the purchaser which, if development of the project was successful, might produce distributions up to \$77,000,000. Further, the proposed sale would include an overbid auction, with the initial overbid of \$900,000, and with a breakup fee of \$500,000 plus actual expenses up to \$300,000.

1 The trustee's proposal drew opposition, both in writing and at  
2 the hearing.

3 The investors/creditors of this case hold fractional  
4 security interests in first, second, and third priority trust  
5 deeds on the subject property. It has been argued without  
6 controversion that the first tier interest holders hold claims  
7 in excess of \$100,000,000. Thus, even under the most optimistic  
8 view of the proposal communicated through the trustee, even the  
9 first tier interest holders would not be paid in full, and the  
10 second and third tier holders would be completely out of the  
11 money. They seem to know that, which supports an inference why  
12 they have not stepped up to even fund a study of what the  
13 property might be worth to see if there is anything in it for  
14 them.

15 The trustee and his professionals have done a most  
16 impressive job with little time and no resources. However, the  
17 Court has already determined this is a single asset real estate  
18 case, and it has been pending over one and one-half years. The  
19 case has been through Mr. Pierce as manager, then the Watley  
20 Group, and then a Chapter 11 trustee. There does not appear to  
21 be a solution in the bankruptcy arena for this property and these  
22 parties.

23 ///

24 ///

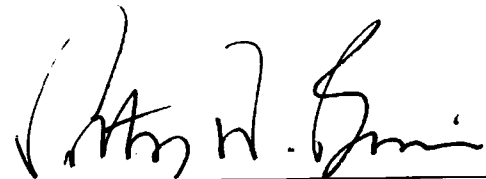
25 ///

26 ///

1 For all the foregoing reasons, including those set out by  
2 the Court in its earlier rulings, and despite the valiant efforts  
3 of the trustee and his professionals, the Court finds and  
4 concludes that this case should be, and hereby is converted to  
5 one under Chapter 7.

6 IT IS SO ORDERED.

7 DATED: JUL 22 2011

8 

9  
10 PETER W. BOWIE, Chief Judge  
United States Bankruptcy Court

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF CALIFORNIA

In re Case No. 10-00046-PB11

CERTIFICATE OF MAILING

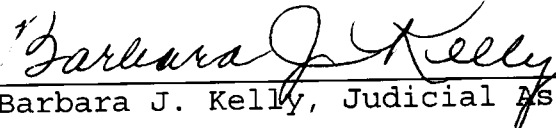
The undersigned, a regularly appointed and qualified clerk in the Office of the United States Bankruptcy Court for the Southern District of California, at San Diego, hereby certifies that a true copy of the attached document, to wit:

ORDER ON OSC  
RE: CONVERSION

was enclosed in a sealed envelope bearing the lawful frank of the Bankruptcy Judges and mailed to each of the parties at their respective address listed below:

See attached list.

Said envelope(s) containing such document were deposited by me in a regular United States mail box in the City of San Diego, in said district on July 22, 2011.

  
Barbara J. Kelly, Judicial Assistant

Certificate of Mailing  
Case No. 10-00046-PB11

July 22, 2011  
Page 2

Paul J. Leeds, Esq.  
Higgs, Fletcher, Mack LLP  
401 West A Street, Suite 2600  
San Diego, CA 92101-7910

Gustavo E. Bravo, Esq.  
Smaha Law Group, APLC  
7860 Mission Center Court, Suite 100  
San Diego, CA 92108

Dan E. Chambers, Esq.  
Troutman Sanders LLP  
5 Park Plaza, Suite 1400  
Irvine, CA 92614

William M. Rathbone, Esq.  
Gordon & Rees LLP  
101 West Broadway, Suite 1600  
San Diego, CA 92101

Jeffrey J. Goodrich, Esq.  
Goodrich & Associates  
336 Bon Air Center, #335  
Greenbrae, CA 94904

Mikel Bistrow, Esq.  
Duane Morris LLP  
101 West Broadway, Suite 900  
San Diego, CA 92101

Victor A. Vilaplana, Esq.  
Foley & Lardner  
402 West Broadway, Suite 2100  
San Diego, CA 92101

Robert E. Barnes, Esq.  
The Bernhoft Law Firm  
207 East Buffalo Street, Suite 600  
Milwaukee, WI 53202

David A. Ortiz  
Attorney for U.S. Trustee  
402 West Broadway, Suite 600  
San Diego, CA 92101